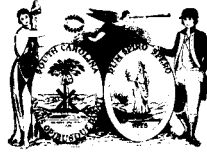


**LEXMED, INC.
D/B/A LEXINGTON MEDICAL CENTER
EXTENDED CARE**

**CONTRACT PERIOD
BEGINNING JANUARY 1, 2003
AC# 3-LMC-J1**

**REPORT ON CONTRACT
FOR
PURCHASE OF NURSING CARE SERVICES
WITH
STATE OF SOUTH CAROLINA
DEPARTMENT OF HEALTH AND HUMAN SERVICES**

State of South Carolina



Office of the State Auditor

1401 MAIN STREET, SUITE 1200
COLUMBIA, S.C. 29201

THOMAS L. WAGNER, JR., CPA
STATE AUDITOR

(803) 253-4160
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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

May 24, 2005

Department of Health and Human Services
State of South Carolina
Columbia, South Carolina

RE: AC# 3-LMC-J1 – Lexmed, Inc. d/b/a Lexington Medical Center Extended Care

We have performed the procedures enumerated below, which were agreed to by the South Carolina Department of Health and Human Services, solely to determine the reimbursement rate to be used by the Department in determining the reimbursement settlement with Lexmed, Inc. d/b/a Lexington Medical Center Extended Care, for the contract period beginning January 1, 2003, and for the twelve month cost report period ended September 30, 2001. The management of Lexmed, Inc. d/b/a Lexington Medical Center Extended Care is responsible for the Financial and Statistical Report for Nursing Homes and supporting accounting and statistical records. This engagement to apply agreed-upon procedures was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the South Carolina Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

1. We selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by Lexmed, Inc. d/b/a Lexington Medical Center Extended Care, to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the provider. We found no material exceptions as a result of these procedures.
2. We considered the results of our procedures and determined that there was no material effect on the provider's interim Medicaid reimbursement rates as listed below:

CONTRACT PERIOD

January 1, 2003 – September 30, 2003

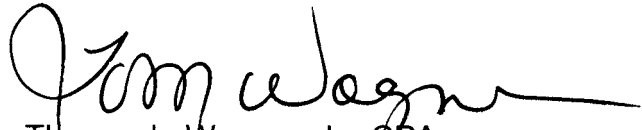
INTERIM MEDICAID RATE

\$121.50

Department of Health and Human Services
State of South Carolina
May 24, 2005

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the financial statements or a part thereof. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.



Thomas L. Wagner, Jr., CPA
State Auditor

TLWjr/ksg

cc: Ms. Brenda L. Hyleman
Mr. Jeff Saxon
Ms. Kathleen C. Snider